

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 L-03 H-01 PA-01 PRS-01 INT-05
AGRE-00 ARA-06 IGA-02 ABF-01 /101 W
-----261746Z 058375 /42

R 261555Z MAY 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 1548

LIMITED OFFICIAL USE SECTION 1 OF 2 LISBON 4176

PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: ECON, PO
SUBJECT: ECONOMIC DEVELOPMENTS: METALWORKERS THREATEN
STRIKE

REF: LISBON 4012

SUMMARY. THE POWERFUL, COMMUNIST-DOMINATED METALWORKERS' FED-
ERATION HAS CALLED A STRIKE MAY 26 TO PROTEST GOP DECREE SETTING
SALARY LEVELS AND WORKING CONDITIONS FOR SECTOR. THE STRIKE
WILL TEST THE GOVERNMENT'S RESOLVE AT A TIME WHEN
ATTACKS ON ITS EFFECTIVENESS ARE INCREASING AND THE DEMO-
CRATIC OPPOSITION IS PRESSING FOR A FORMAL CONSULTA-
TIVE ROLE. END SUMMARY.

1. METALWORKERS THREATEN STRIKE: THE COMMUNIST-DOMINATED
METALWORKERS' FEDERATION HAS CALLED FOR A STRIKE MAY 26
TO PROTEST GOP'S MAY 23 DECREE ESTABLISHING WAGE
LEVELS AND WORKING CONDITIONS FOR THE SECTOR. GOP ACTION
FOLLOWED MONTHS OF ACRIMONIOUS AND INCONCLUSIVE COLLECTIVE
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BARGAINING IN WHICH LABOR CHARGED THAT IT HAD NOT BEEN
ADEQUATELY CONSULTED. IN COMMUNIQUE ANNOUNCING DECREE,
GOP REJECTED FEDERATION CHARGES AS "ILLEGITIMATE" AND
AFFIRMED GOVERNMENT DECISION WAS "IRREVOCABLE." COMMUNI-
QUE POINTEDLY NOTED THAT NEW DECREE'S SALARY PROVISIONS
-- WHICH RAISED WAGES 14.5 PERCENT RETROACTIVE TO JANU-
ARY 1, 1977. - GAVE METALWORKERS HIGHER WAGES THAN MOST

PORTUGUESE WORKERS. PREVIOUS METALURGICAL SECTOR COLLECTIVE LABOR AGREEMENT EXPIRED IN 1975.

2. STATISTICS: RECENT OFFICIAL STATISTICS SHOW GOP RECOVERY EFFORTS HAVE PRODUCED MIXED RESULTS:

-- FIRST QUARTER TRADE DEFICIT UP: NATIONAL INSTITUTE OF STATISTICS (INSTITUTO NACIONAL DE ESTATISTICAS - INE) TRADE FIGURES FOR FIRST QUARTER OF 1977 INDICATE PORTUGAL'S TRADE GAP HAD WIDENED IN NOMINAL ESCUDO TERMS BY ALMOST 50 PERCENT OVER SAME PERIOD OF 1976 (18,777 MILLION ESCUDOS VS. 12,559 MILLION). WHILE EXPORTS WERE UP 30 PERCENT (16,440 MILLION VS. 12,559 MILLION). IMPORTS ROSE BY 39.5 PERCENT (35,117 MILLION VS. 25,176 MILLION). EXPORTS THUS EQUALED ONLY 47 PERCENT OF PORTUGAL'S IMPORT BILL, 3 PERCENTAGE POINTS BELOW THAT OF THE FIRST QUARTER OF 1976 (50 PERCENT). IN DOLLAR TERMS (USING AVERAGE MONTHLY EXCHANGE RATES), THE FIRST QUARTER 1977 TRADE GAP WAS 20 PERCENT ABOVE THE SAME 1976 PERIOD (\$543.3 MILLION VS. \$452.6 MILLION).

-- CONSUMER PRICE INCREASES: FOLLOWING 9.3 PERCENT JUMP IN MARCH, THE FIRST FULL MONTH AFTER GOP ANNOUNCED LIBERALIZATION OF PRICE CONTROL SYSTEM, LISBON PRICES ROSE ONLY 1.3 PERCENT IN APRIL, ACCORDING TO INE CONSUMER PRICE INDEX (BASE - 1963). APRIL PRICES WERE, NEVERTHELESS, OFFICIALLY ESTIMATED AT 42 PERCENT ABOVE APRIL 1976. FOOD PRICES ALONE WERE SET AT 40 PERCENT ABOVE APRIL 1976.

-- EMIGRANT REMITTANCES UP: LOCAL PRESS GAVE PROMINENT PLAY MAY 23 TO OFFICIAL ANNOUNCEMENT THAT EMIGRANT LIMITED OFFICIAL USE

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REMITTANCES FOR FIRST QUARTER OF 1977 WERE MORE THAN DOUBLE THOSE OF SAME PERIOD IN 1976 (9,114 BILLION ESCUDO- VS. 4,472 BILLION). QUOTATIONS OF REMITTANCE FIGURES IN ESCUDO TERMS, HOWEVER, GROSSLY OVERSTATED DEGREE OF RECOVERY. IN DOLLAR TERMS, REMITTANCES WERE \$263.7 MILLION FOR 1977 AND \$162.9 MILLION IN 1976. THESE FIGURES REPRESENT A RESPECTABLE 62 PERCENT INCREASE, BUT IT SHOULD BE RECALLED THAT THE INFLOW IN EARLY 1976 WAS RELATIVELY SMALL. ASSUMING THE FIRST QUARTER 1977 REMITTANCE VOLUME IS ATTAINED, YEARLY TOTAL WOULD BE SLIGHTLY ABOVE THE \$1.03 BILLION PREVIOUSLY PROJECTED BY EMBASSY.

3. SUMMER LEGISLATIVE SESSION: THE NATIONAL ASSEMBLY WILL REMAIN IN SESSION UNTIL JULY 23 IN ORDER TO TREAT CRUCIAL ECONOMIC BILLS. AMONG KEY LEGISLATION GOP HOPES TO SEE APPROVED THIS SUMMER ARE LAWS REGULATING STRIKES, DISMISSALS, FOREIGN INVESTMENT, AGRARIAN REFORM, COMPENSATION, AND THE ROLE OF WORKER COMMISSIONS. GOP

MEDIUM-TERM DEVELOPMENT PLAN IS ALSO TO BE EXAMINED DURING SUMMER SESSION. FORMAL APPROVAL, HOWEVER, IS LIKE-
LY ONLY IN OCTOBER, AFTER THE SUMMER RECESS. THE PLAN, HOWEVER, IS MORE OF A GOP EFFORT TO SATISFY CONSTITUTIONAL REQUIREMENT THAN A REAL ECONOMIC GAME-
PLAN FOR 1978-80. AS SUCH, NEITHER THE GOVERNMENT NOR THE DEMOCRATIC OPPOSITION IS IN A HURRY TO ACT ON IT IMMEDIATELY.

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R 261555Z MAY 77
FM AMEMBASSY LISBON
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PASS TREASURY FOR SYVRUD

4. BRAZILIAN LOAN: ON MAY 19 PORTUGAL AND BRAZIL SIGNED IN LISBON AN AGREEMENT UNDER WHICH THE BANK OF BRAZIL OPENED A \$50 MILLION LINE OF CREDIT TO FINANCE BRAZILIAN EXPORTS TO PORTUGAL. THE AGREEMENT HAD BEEN CONCLUDED IN PRINCIPLE DURING PRIME MINISTER SOARES'S DECEMBER VISIT TO BRAZIL.

5. EXCHANGE RATE: LISBON CHECK BUT RATE CLOSED MAY 25 AT 38.589 ESCUDOS PER ONE DOLLAR.

6. COMMENT: THE GOVERNMENT'S HANDLING OF THE METALWORKERS STRIKE WILL BE PARTICULARLY IMPORTANT GIVE THE DEMOCRATIC OPPOSITION PARTIES' GROWING CRITICISM OF GOP EFFECTIVENESS AND OF THEIR INCREASING DEMANDS FOR A FORMAL CONSULTATIVE ROLE IN THE FORMULATION OF ECONOMIC POLICY (SEPTTEL).
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